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Summary of the report of
the royal commission on
transportation.

Turgeon, W.F.A., Chairman



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S U M M A R Y

OF THE REPORT OF

THE ROYAL COMMISSION ON TRANSPORTATION

Ottawa, February 9, 1951.

SUMMARY

The Royal Commission on Transportation was appointed by the Federal Government on December 29, 1948, under the Chairmanship of Hon. W.F.A. Turgeon, K.C., LL.D. The other members being, Dr. H.F. Angus, professor of economics at the University of British Columbia, and Dr. H. A. Innis, professor of political economy at the University of Toronto. Its appointment stemmed from representations made in 1948 to the Federal Government by the premiers of seven provinces and other organizations. The seven provinces - British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia and Prince Edward Island - had opposed the first application of the Canadian Railways for an increase in freight rates. The Commission held regional hearings in all ten provinces during 1949 and final hearings at Ottawa lasted from November, 1949 to May, 1950. During this period the Commission sat for 138 days, of which the transcript of evidence and argument amounted to more than 24,000 pages. In all, 143 formal submissions were made, including those of all the provinces except Ontario and Quebec, as well as those of the Canadian Pacific and Canadian National Railways.

Under its very broad terms of reference the Commission was charged to investigate the economic, geographic and other disadvantages related to transportation services of the various sections of Canada, and to make recommendations respecting "all questions of economic policy within the jurisdiction of Parliament arising out of the operation and maintenance of national transportation". In particular the Commission was to make recommendations concerning national transportation

policy, to review and make recommendations on the Railway Act, the capital structure of the Canadian National, the accounting methods and statistical procedure of the Canadian Railways, and the Canadian National - Canadian Pacific Act.

HIGHLIGHTS OF THE RECOMMENDATIONS OF THE
ROYAL COMMISSION ON TRANSPORTATION:

1. A broad program of freight rate equalization between all regions of Canada including uniformity of class and commodity mileage rates and a uniform carload mixing rule.
2. Crowsnest Pass grain rates should remain unchanged under control of Parliament, who should continue to have responsibility for fixing their level. These rates are not to be made subject to general rate increases.
3. Federal Government to pay the annual maintenance costs estimated at \$7,000,000 on the "bridge" or "link" sections of the transcontinental railways between Sudbury and Fort William.
4. Substantial modification of straight percentage increase in freight rates in future general revenue cases to lighten the impact on various commodities and long-haul traffic.
5. There should be a single Board to co-ordinate and integrate the different transport agencies under Federal jurisdiction, this Board to carry on the functions of the present Board of Transport Commissioners, the Air Transport Board and the Canadian Maritime Commission. Such a Board might undertake the regulation of interprovincial and international highway transport.

6. Freight revenue cases to be decided with minimum delay, if necessary by means of interim increases.
7. Retention of the right of appeal to the Federal Cabinet from decisions of the Board of Transport Commissioners.
8. Effect of transcontinental competitive rates between Eastern Canada and the Pacific Coast to be extended to intermediate points in Western Canada by requirement that latter rates should not be more than one-third greater than the transcontinental rates.
9. Canadian National interest on debt owed to Federal Government to be payable only when earned, with provision made for the Canadian National to accumulate a surplus fund for current needs.
10. Uniform accounting and statistical methods to be adopted by the two major railways according to a form to be determined by the Board of Transport Commissioners.
11. Greater freedom should be allowed railways in line abandonments where remaining transport service is adequate.
12. Board of Transport Commissioners not to be concerned with setting railway wage levels or to participate in wage negotiations.
13. No major changes in present transportation legislation contained in the Maritime Freight Rates Act and the Canadian National - Canadian Pacific Act.
14. Improvement in car ferry service to Prince Edward Island by addition of second ferry between June 15 and September 15.
15. National transportation policy should continue to ensure the efficient and economic operation of the Canadian Pacific Railway under private enterprise.

GEOGRAPHIC DISADVANTAGES AND GENERAL RATE INCREASES:

The Commission was required under its terms of reference to "review and report upon the effect of economic, geographic and other disadvantages under which certain sections of Canada find themselves in relation to the various transportation services therein". In its report the Commission noted that the Governments of Ontario and Quebec made no submissions to it and states "the attitude of the Central Provincial Governments seems to indicate that present conditions of railway services and railway charges are considered generally satisfactory in this region, and is in marked contrast with the prevalence of discontent and of the desire for changes found in the other provinces."

The main cause of complaint, the Commission found, is that the outlying provinces suffer a disadvantage because of the long distances which separate them from their sources of supply and also from their markets. Whatever the solutions proposed it is "in each case an attempt by shippers and consignees to secure relief from the disadvantages attributed to increases in rates by the horizontal percentage method, and at the same time retain any existing advantages in rates which they now enjoy".

The Commission added that the position of shippers and consignees in the regions of Canada outside the central region is found to deteriorate with the continued application from time to time of rate increases which by their nature become more and more burdensome as they spread out from the shorter to the longer distances. The answer to this, according to

the Report, "lies mainly with the railways themselves, since the means of removing the cause of dissatisfaction is within their own initiative".

"It would be most unfortunate for all concerned if the freight rate controversies of the last few years were to go on and on without end. These controversies have led to great expenditures of time and money, to expensive delays in the making of rate adjustments, and to the maintenance of an unhealthy feeling of unjust treatment in large sections of the country's population. There is no reason why, with judicious management, the relations between the railways and the people they serve might not be as friendly in the East and in the West as they are in Central Canada. The people of outlying regions should no longer find themselves in the position they have been in so far where, as appears from a study of the proceedings in the 21% case, they stand between a Board which has to say that it has no information upon which it can order anything other than a flat percentage increase, and the railways who, although they should possess all the necessary information for a reasonable planning of a fairly distributed increase, seem to be unable to do anything about it. The reforms recommended in the Chapter on "Accounting and Statistics" will no doubt prove helpful in this regard."

"Other measures which will prove helpful, if adopted, to the alleviation of the disadvantages of distances are those recommended in the chapters on "Equalization", on "The Rail Link between East and West" and in various other chapters of this report."

The Report gives a detailed review of all general increases granted to the railways by the Board since its formation, finding that although in the earlier cases a substantial number of exceptions were made, since World War II "the Board seems to have treated the applications purely from the revenue point of view and without considering the ability of different commodities to bear the increase". The Report also makes a similar examination of increases granted by the Interstate Commerce Commission pointing out with approval that there had been numerous exceptions to horizontal increases granted, and the Interstate Commerce Commission had given careful attention to the effect of the increases on production and distribution in the various regions as to the needs of the transportation industry.

The Report recommends no changes in legislation on this point but states that "The railways should make studies of traffic conditions in all their bearings and should present to the Board proposals showing not only their maximum percentage increase requirement, but also, among other particulars, varying percentage increases on different commodities, flat, instead of percentage increases when these are more suitable, and maxima in appropriate cases . . . Special attention should be given to long-haul traffic and to rates on basic (or primary) commodities. The railways should be in a position to do this, especially in the light of new statistical procedures. But if the railways do not approach the task in this way, it ought to be the duty of the Board to see that they do so".

RATE BASE AND RATE OF RETURN:

The Commission rejected an amendment to the Railway Act proposed by the Canadian Pacific Railway which would have required the Board to establish a rate level sufficient to provide a fair return upon the Canadian Pacific's investment in railway property. The Commission held that such a statutory requirement would be impossible to comply with in all circumstances, that the procedure of rate making must be left flexible, and that this flexibility now exists under the Railway Act which leaves the Board free to adopt whatever method it deems proper. A fair return on property investment may be one of the tests of reasonable rates but it must not be either the sole or guiding test. It held it unwise "to fetter the Board by a statutory yardstick of this kind".

DELAYS IN FREIGHT REVENUE CASES:

The Commission said it was "necessary in the public interest that the Board should proceed with the utmost possible expedition when dealing with general revenue applications, whether made by the railways for increases, or by the shippers for reductions in rates". It recommended that where a prima facie case had been made out for increases or decreases in rates, the Board should consider the desirability of granting interim relief at the earliest possible date. No changes in the Railway Act were proposed to implement this recommendation.

APPEALS TO THE GOVERNOR-in-COUNCIL:

No change in the Railway Act was recommended on the subject of right of appeals to the Federal Cabinet.

The Canadian Pacific had sought the repeal of this section but it had been strongly defended by the Provincial Governments appearing before the Commission. The Report pointed out that in 47 years there have been only 54 appeals, of which 27 had been dismissed, 12 referred back to the Board, 9 abandoned or withdrawn and only 3 allowed. This indicated to it that the Government had adhered to its declared policy of non-interference with an Order of the Board unless the latter has proceeded upon a wrong principle or has been otherwise subject to error. The Commission added "The history of the legislation in this country indicates that Parliament has always felt that the Government should take an active interest in both the railways and the regulatory body. It is extremely difficult to recommend that the Government should disassociate itself entirely from the activities of the railways and the performance by the Board of Transport Commissioners of its duties."

The Commission at the same time refused to take a step in the other direction and recommend that the Government be given statutory authority to dictate policy to the Board as had been proposed by the Province of Manitoba.

EQUALIZATION:

The Commission found no specific provision in the present Railway Act calling for complete equalization of rates throughout Canada, and noted the difficulty of applying a statutory form of equalization because of the necessity of recognizing exceptions. The Report states that it would appear that the broad general principle of

equalization throughout the country is now accepted.

The principal exceptions to equalization that should be permitted are the following:

- (1) All international rates.
- (2) Rates on export and import traffic through Canadian ports which are related to rates through United States ports.
- (3) Competitive rates and agreed charges.
- (4) Rates on railways other than the Canadian National or Canadian Pacific Systems which may not be able to operate on rate levels in force elsewhere.

The Commission indicated that substantial progress toward rate equalization might be accomplished by the following means:

- (1) Abolition of the present standard maximum mileage tariffs.
- (2) The establishment of one uniform equalized class rate scale throughout Canada applicable on each of the two major railway systems, the level to be fixed by the Board of Transport Commissioners.
- (3) The establishment of uniform equalized commodity mileage scales throughout Canada, at levels to be fixed by the Board.
- (4) The revision of present commodity rates between specified points on the two major railways toward greater uniformity.
- (5) Rates for special or accessorial services should be uniform throughout Canada so far as is possible.
- (6) Elimination of the so-called "terminal" class rates in Western Canada.
- (7) The establishment of larger mileage groups for longer distances so that main producing points in defined areas may be in the same rate groups.
- (8) The establishment of uniform percentage relationships for rate classes applicable both in Eastern and Western Canada.

- (9) The averaging of the different tapering of rates for distances now in effect in Western and Eastern Canadian class rates.
- (10) A provision for tapering rates between Western and Eastern Canada so that they will be fairly related to distance, instead of being combinations on Fort William.
- (11) The application of maxima to the increases on long-haul rates in future general revenue cases to avoid increasing such rates unduly.
- (12) The establishment of the Eastern car-load mixing rule in Western Canada and between Eastern and Western Canada.
- (13) Appropriate changes should be made in the Railway Act to empower the Board to effect and maintain uniformity in rates throughout Canada.

The Commission said that "it appears that Canada has reached a stage in its development when former methods of making regional rates must give way to a uniform rate structure that, so far as may be possible, will treat all citizens, localities, districts and regions alike".

OTHER RATE MATTERS:

(1) Competitive Rates

The Report reviews at some length the situation regarding competitive rates published by the railways and the complaints that had been raised against them in numerous submissions tendered to the Commission. It is pointed out that no one had advocated abolition of competitive rates. The Commission affirmed the right of the railways to meet competition without being forced to extend such rates to areas where competition was non-existent. It did not recommend that prior approval must be obtained from the Board before a competitive rate could take effect, noting that this requirement would

hamper the railways in their effort to increase their revenue. However, the Commission did recommend that the railways at time of filing competitive tariffs should furnish the Board with detailed information concerning the competition to be met, the compensatory nature of the rate and other relevant matters. Such information would enable the Board "to judge the strength of competition and the necessity of taking action to suspend or disallow any competitive rate" if such be necessary "or to suspend, disallow or order an increase in such rate if in the Board's judgment it is not compensatory or is lower than necessary having regard to the competition to be met."

(2) Agreed Charges:

No changes in the practice or procedure of making agreed charges were recommended by the Commission, beyond enjoining close supervision by the Board of all such agreements. The Canadian National Railways had proposed substantial changes in Part V of the Transport Act dealing with agreed charges, which would have greatly increased the railways' freedom in making such agreements. On the other hand, certain provinces had recommended the repeal of the legislation regarding agreed charges, on the grounds that the latter stifled truck competition and favoured the large shipper. Under an agreed charge, a shipper receives reduced freight rates on a particular commodity in return for guaranteeing to ship all or most of his traffic in this commodity by rail. The purpose of such rates is to assist the railways in meeting truck competition. The Report states that the agreed charge legislation enacted in 1938 had not yet been given a fair trial under normal conditions.

(3) Transcontinental Rates:

In the transcontinental competitive rates, the Commission recommends a significant departure from the previous practice of the Board of Transport Commissioners. These rates are published between Eastern Canada and the Pacific Coast by the railways to meet water competition via the Panama Canal and in many instances are lower than rates to intermediate areas such as Alberta. The Commission now recommends that rates to intermediate points should never be more than one-third greater than the transcontinental rates to or from the Pacific Coast, and that the Railway Act be amended to this effect. The Commission holds that consumers in Alberta and other intermediate provinces were entitled to share in an equitable degree in the beneficial conditions created at Pacific Coast ports by these rates. The effect of the recommendation is illustrated by the present rates on canned goods, which from Eastern Canada to Vancouver is \$1.40 per hundred pounds compared with the rate of \$2.65 per hundred pounds to Calgary or Edmonton. Under the Commission's recommendation the rate to the Alberta cities would be lowered to \$1.87.

(4) Interline Rates:

In the matter of rates on movements over more than one railway which were higher than on a single-line basis, the Commission recommended that the burden of proof be placed upon the railways to show that additional costs are involved. The Commission suggested an amendment to the Railway Act which would implement this recommendation.

(5) Rate-Groups:

No recommendations were made as to legislation on the subject of rate-grouping, but the Commission suggested that demands for larger rate groups could be met in the course of equalization of rates by adopting rate groups of 100 or even 200 miles in extent, instead of smaller groups which now exist.

(6) Tapering of Freight Rates:

The Commission observed that the prevalence of long hauls on Canadian Railways made the question of the extent to which rates were tapered for distance, one of great concern, particularly to the Western Provinces. The Commission recommended that the tapering on the new uniform scale which it has proposed should be a compromise between the basically higher Western rates with more rapid tapering and the lower Eastern rates with their less rapid tapering. This matter the Commission referred to the General Investigation of the Board.

(7) Passenger Rates in British Columbia:

The Commission thought it "an anomaly under present conditions that the passenger fares in one part of the country (British Columbia) should be different from those which prevail elsewhere", but held that the Province should make application to the Board on this matter and made no recommendation of its own.

EXTENSION AND ABANDONMENT OF RAILWAY LINES:

In noting that a considerable number of railway expansion projects along the northern perimeter of the existing systems had taken form in recent years, the Report calls attention to the progressively more

serious problem of the railways maintaining their position in their older territories in the face of motor truck competition. In the United States, about 15,000 miles of railway were abandoned between 1921 and 1948 because of truck competition. But up to the present, the Report states, "line and service abandonment by railways have not been looked upon with favour in Canada. It is time now for all concerned to reconsider their attitude in this regard Our railways should be allowed to practice similar economies (to those of U.S. railways) in cases where operations are shown to have become substantially unnecessary or to be definitely unprofitable, especially when it is shown that reasonable service can be assured by other agencies".

SEGREGATION OF PASSENGER AND FREIGHT REVENUES AND EXPENSES:

In dealing with complaints raised before it regarding the subsidization of unprofitable passenger services by the freight shipper, the Commission held that both freight and passenger services of the railways are essential and if passenger fares could not be raised sufficiently to enable passenger traffic to pay its own way, then the burden must fall on freight traffic. The Commission also rejected the view that the Federal Government should subsidize passenger traffic.

RAILWAY OWNERSHIP OF TRUCK LINES:

The Commission stated that "operations of trucks may be an essential and complementary part of railway operations, more especially in view of changing conditions. Under these circumstances it does not appear reasonable that railways should be prohibited from operating trucks or truck lines. There is no evidence

to show that there is danger at present of the railways stifling competition by ownership of trucks".

THE RAILWAY GRADE CROSSING FUND:

The Railways and certain of the provinces favoured an increase in the percentage of cost which the Railway Grade Crossing Fund should contribute in projects affecting grade crossings. This is now limited to 40 per cent of cost with a maximum of \$150,000 on any one project. The Fund is made up of moneys voted by Parliament. The Commission recommended no changes in the present legislation holding that the matter involving the contribution of Government funds was peculiarly one for Parliament to determine.

OPERATION OF P.E.I. CAR FERRY:

Regarding the complaints of the Province of Prince Edward Island on the adequacy of the Borden-Tormentine ferry service operated by the Canadian National Railways on behalf of the Federal Government, the Commission said it was convinced that the operation of the ferry service had not been satisfactory in the past and that the Province had established a clear case of the inadequacy of one ferry during the summer months. The Commission recommended that an additional ferry capable of transporting automobiles should be operated during the period June 15 to September 15 each year, the service to be based on traffic requirements rather than on the profitability of the operation. The Commission found that in the past the ferry service had been too closely tied to railway train schedules and regarded more as a part of the railway service than as a transportation service to the people of the Province.

RECAPITALIZATION OF THE CANADIAN NATIONAL RAILWAYS:

The Commission was of the opinion that the Canadian National Railways had established a case for a reduction of its fixed charges and for the accumulation of a reserve out of earnings. What the Railway needed was a capital structure that would not impose too heavy a fixed charge burden in bad years but would ensure that a reasonable portion of surplus earnings would be paid to the owners as a return on invested capital in good years.

Its principal recommendations were:

1. That the Canadian National be reimbursed annually by the Government for operating losses and capital expenditures of the Newfoundland Railway and Steamship Services. This would be of a temporary nature until modernization has been completed and operations are on a profitable basis or the losses are reduced to a point where they can be absorbed in the Canadian National Accounts without unduly affecting the over-all system results.
2. That Government loans totalling \$743,661,000 at December 31, 1949, be converted into 3 per cent income debentures on which interest would only be paid if earned and would not be cumulative.
3. That after payment of interest charged on debts due to the public, the Canadian National be allowed to accumulate out of earnings in each year a reserve or "something to come and go on", such reserve to be not more than the lesser of:
 - (a) one-third of the income after providing for all charges and deductions from income except interest on the Company's obligations, or
 - (b) the balance of the income after payment of interest on debts due the public.
4. That after payment of interest on debts due to the public and setting aside the reserve provided, interest at 3 per cent on outstanding Government loans, or the balance of the earnings, whichever is the lesser, be paid to the Government.

5. That losses should be charged against the reserve, and if they exceed the amount in the reserve, they should be reimbursed to the Company by the Government.

6. That any capital required to finance the Company should be obtained by the sale of bonds to the public and income debentures to the Government.

7. That any surplus remaining after provision for the reserve and for the payment of interest on Government loans be dealt with at the discretion of the directors of the Company.

The Commission points out that if its recommendations are adopted, no deficits will be realized so long as net income is sufficient to provide for interest on the funded debt due to the public, which amounted to \$24,302,650 in 1949. However, it noted that even under its recommendations substantial deficits would have been incurred in 1948 and 1949, but that this was the result of an unbalance between rates and operating costs which capital revisions could not be expected to correct.

CANADIAN PACIFIC RAILWAY COMPANY:

Throughout the whole Report thoughtful consideration is given to the position of the Canadian Pacific Railway. Dealing with the recapitalization of the C.N.R. the Report states that the recommendations "will provide the Canadian Pacific with the protection to which it is entitled and which it needs if it is to continue to function as a healthy and vigorous private corporation". Again, in rejecting public ownership of railways the Commission reaffirms the desirability of maintaining Canadian Pacific as a strong private venture under capable and efficient management.

ACCOUNTING AND STATISTICS:

The Commission noted an agreement in principle between the railways and the provinces on the desirability

of uniform regulations governing accounting procedures, depreciation practices and the segregation of rail and non-rail accounts, the only difference of opinion being on the degree of uniformity that is practicable and desirable. It accordingly recommended that the Railway Act be amended so that the Board of Transport Commissioners should be empowered and directed to prescribe as soon as practicable a uniform classification and system of accounts and reports for rail items for the Canadian National and Canadian Pacific Railways". The Commission stressed that uniformity of accounts must be such that comparisons of operations between the two major systems may be readily made. The Board would also "be empowered and directed to prescribe as soon as practicable for all railways subject to its jurisdiction the classes of property for which depreciation may properly be charged in rail accounts, and the rate or rates to be charged with respect to each class". The Commission made no attempt to lay down the specific requirements of a uniform accounting procedure.

Regarding the statistics that should be available to the Board, the Commission said that "regulation and supervision of rail accounting and statistics is essential to the effective regulation of rates and tolls Informed action on applications for rate changes is possible only when reliable operating data are available Sections 379 and 380 (of the Railway Act) do not appear to give the Board sufficient authority over the production of statistics which it should have for the performance of its duties". In this matter the Commission recommended an amendment to the Railway Act that would empower the Board to institute and

direct it to maintain a revised statistical procedure so designed as to provide the requisite data necessary to the performance of its duties.

CANADIAN NATIONAL - CANADIAN PACIFIC ACT:

The Commission reviewed the results achieved under this legislation enacted in 1933 to encourage co-operation between the two systems with a view to realizing operating economies. It found that economies have resulted which exceeded a million dollars a year in the 1930's, and that the Act had deterred the railways from damaging and wasteful competition.

In its recommendations the Commission gave its opinion that the Act has served a useful purpose, and offered amendments confined to increasing the amount of information to be contained in the annual report received by Parliament from the directors of the Canadian National Railways.

THE MARITIME FREIGHT RATES ACT:

Various proposals regarding this legislation were received by the Commission, but in general the Report's recommendations involve only slight changes in the Act affecting certain minor non-controversial issues.

No change is recommended in the amount of the "statutory advantage" which the Act gives traffic moving within Maritime Territory. It is recommended that this remain at 20%, as found by the Duncan Commission in 1927, and that it not be extended to cover traffic from Central Canada to the Maritime Provinces. It is further recommended that the level of competitive rates in Central Canada be not automatically made the measure of the preference to be accorded Maritime Territory, but that it

be left to be determined in specific cases as at the present time whether a competitive rate prejudicially affects the statutory advantages of Maritime shippers. The Commission also declined to recommend that the Canadian Pacific's Saint John-Digby ferry be considered an "all-rail route" and thus subject to reduced rates under the Act. The specific recommendations involved minor changes in the Act merely to bring it in line with present practice. The Commission refused to agree to an extension of preferred territory to include Quebec City, or that the Canadian National be required to open a route from its own stations in the Maritime Provinces to Central Canada via Saint John and the Canadian Pacific Railway.

CROWSNEST PASS RATES:

In dealing with perhaps the most controversial matter to come before it, the Commission recommends that the so-called Crowsnest Pass Rates, the statutory rates on grain and grain products from the Prairie Provinces to Fort William, should remain under the control of Parliament and not be turned back to the jurisdiction of the Board of Transport Commissioners as proposed by the Railways. The Commission added, however, that this did not mean that their present level must never be changed, but only that Parliament itself should make whatever changes as appeared just and reasonable as time goes on. (The Crowsnest Pass Rates did not receive any of the series of increases in freight rates amounting to 45% since April, 1948.)

As to the question whether steps were necessary to remove any unfairness which the grain rates might

create with respect to other shippers, the Commission during the hearings turned down a proposal of the Canadian Pacific Railway that it make a study of the compensatory nature of these rates. In its Report the Commission notes that such a task presents considerable inherent difficulty, and that the investigation "would be involved in such a mass of contention that even an expenditure of much time and money would probably produce an altogether unsatisfactory result". It further states that the contention that the exemption of the Crowsnest Pass Rates from general freight rate increases casts an unfair burden on shippers of other commodities is not well founded. Other parts of the country enjoy particular advantages, and the shippers of commodities other than grain in the Prairie Provinces made no complaint of undue hardship. Similarly the Commission notes that no burden is laid upon the railways by the Crowsnest Pass Rates. Consequently, it is not recommended that these rates be made to bear any portion of general freight rate increases.

RAIL LINK BETWEEN EAST AND WEST:

The Commission recommends one notable departure from previous practice to deal with the rate burden created by the long stretch of unproductive territory between Sudbury and Fort William on both trans-continental systems. It proposes that these lines be treated on a parallel with the canal systems, as necessary links both for commerce and national defence between the two main areas of the country, and that the annual maintenance costs (but no part of operating costs) be borne by the Federal Government. It estimates

the cost to the Government will be approximately \$7,000,000 annually, which it anticipates will be particularly effective as a measure of relief in the case of freight charges on westbound traffic passing over the "bridge". The Report lays down only the general outline of the proposal, leaving the details to be worked out between government authorities and the railways. At the same time the Commission turned down a proposal of the Government of Saskatchewan which would have created preferred rates in Western Canada on a basis similar to those now governed by the Maritime Freight Rates Act. The Commission held that no case had been made out for a subsidy of the size sought and that it would interfere with the Board's responsibility of fixing a level of just and reasonable rates.

RAILWAY WAGE POLICY:

The Commission turned down suggestions that the Board of Transport Commissioners be given any responsibility for the fixing of the level of railway wages, holding that the Board's duty is to fix just and reasonable rates. It recommends that no special legislation should be passed for the handling of railway wage disputes and the prevention of strikes or lock-outs. "Such legislation", the Commission said would be "highly provocative and in practice ineffective". The Report points out that the strike which took place in 1950 is the only general railway strike in Canada's history and expresses the hope that it will be the last.

MOTOR VEHICLES:

Although motor vehicle traffic is largely under provincial jurisdiction, its effect on the welfare

of the railways must be kept in mind in dealing with the question of Canadian transportation policy. The railways have suffered loss of revenue through loss of traffic and by the granting of lower competitive rates. Conditions seem to indicate that losses to the railways by reason of truck traffic can be expected to increase as time goes on, the Commission said, the effect of which will be to throw a heavier rate burden on non-competitive traffic.

As to the question of whether the provinces were collecting sufficient revenue from the trucks to compensate for their use of the highways, the Commission stated that "it is in the interest of the provinces to collect at least enough revenue from this source to avoid loss if not to make a profit, and there does not appear to be any reason to suppose that this is not being done".

BOARD OF TRANSPORT COMMISSIONERS:

Summarizing the numerous suggestions addressed to it concerning the activities and responsibilities of the Board of Transport Commissioners, the Commission said "it can be stated fairly that what everyone really wants is that the Board's powers be kept as they are now, but with the hope and expectation that the recent contentious proceedings which have gone on will cause the Board to exercise greater care in the future in arriving at its decisions.

"Nothing put forward to the Commission warrants recommending any extension or limitation of the Board's present powers under the Railway Act".

The Commission concluded that most of the

complaints made are capable of adequate remedy under the existing legislation, and that most of the suggestions made are in reality criticisms which the Board may overcome. Recommended amendments to the Railway Act will make the Board's control over rates more effective.

At the same time it points out the importance of the Board's functions and that the high standard which should be maintained in the selection of its members cannot be stressed too strongly. "Since its inception, the Board's responsibilities have in many respects increased and its jurisdiction has been extended. It is now called upon to regulate some of the most important public utilities in the country and its decisions are of vital importance to, and have far-reaching effects upon, almost every person in Canada."

The Commission recommended that the position of the members of the Board be "similar to that of Judges of the Court of Exchequer, with retirement at the age of seventy-five years".

NATIONAL TRANSPORTATION POLICY:

The Commission recommends the establishment of one central board in the place of the three separate boards now functioning, viz., the Board of Transport Commissioners, the Air Transport Board, and the Canadian Maritime Commission. Such a board would be able to take up the major task of coordinated control, having the benefit of the experience acquired by the separate boards in recent years.

Taking note of suggestions made before it that "co-ordination" and "integration" of all forms of transport in Canada should be effected under regulations

by one and the same Board, the Commission points out that some such policy was envisaged in the Transport Act of 1938 with respect to railways, ships and aircraft. However, the Board of Transport Commissioners' powers with respect to water transportation were restricted, and in 1944 Parliament provided for the separate regulation of air transport by setting up of the Air Transport Board. "The net result of the action of Parliament in 1944 was to lessen the possibility of coordinating and harmonizing the different transport media under Federal control. It left to the Board of Transport Commissioners the duty of carrying on this coordinating and harmonizing in so far only as the railways and a minor branch of the water transportation system are concerned. Therefore air transport and the greater part of water transport are not included in Parliament's present policy of coordination and harmonization".

"The fact is therefore that while Parliament made provision for a Board of Transport (instead of Railway) Commissioners, it did not go as far as it might have gone towards bringing about complete coordination of all carriers engaged in transport. And the trend of legislation in recent years has been away from integration and coordination."

The Commission states that the attitude of the provinces on retaining their jurisdiction over motor trucking gives no ground for hope that central, uniform control and regulation of all forms of transportation, including that under provincial jurisdiction, is realizable in the near future.

"The only practical subsisting question in respect to the regulation of motor transport by federal legislation has to do with interprovincial and international traffic. If it is to be assumed that the authority of Parliament extends to the control of these forms of transportation the question to be considered is whether it is in the public interest that such control should be established. In the present state of the law this control could be established by adding in the first place to the words 'all carriers engaged in transport by railways and ships', in Section 3(2) of the Transport Act, the words 'and by motor vehicles in interprovincial or international traffic' or words of similar import. The effect of such an amendment would be to place these vehicles in the same position as railways and ships. It would thereupon become the duty of the Board of Transport Commissioners to coordinate and harmonize their operations with those of these other carriers. These carriers would then lose some of the freedom of action which they have today, but, on the other hand, they would acquire a status which they do not now enjoy. The railways would still have them as competitors, but they would be regulated competitors. Whether or not this new arrangement would work out to the advantage of the railways, as seems to be generally assumed, would remain to be seen in the light of experience".

"The regulation of railways can best be exercised by combining it with the regulation of the other agencies of transportation. It is true that Parliament's lack of jurisdiction over intra-provincial transportation presents a major obstacle to the full

attainment of this most desirable object. It is of course permitted to hope that the provinces will some day agree to cooperate with the federal authority in the carrying out of a common policy of coordination. Until that day comes, however, there is no reason why Parliament should not proceed as far as its authority extends toward the establishment of a national transportation system functioning under the control and regulation of an efficient supervisory board".

The Commission states, "the adoption of this policy would bring together ... (the Board of Transport Commissioners, the Air Transport Board, and the Canadian Maritime Commission) ... re-organized and united and devoted henceforth to the pursuit of a well-planned policy for the coordination and regulation of transportation".

OTHER PROPOSALS:

In addition to those already covered, the Commission received a multitude of proposals regarding changes in transportation legislation, regulation and services. For various reasons these were either rejected or directed to the attention of the Board of Transport Commissioners or to other branches of the federal government.

Among the proposals which the Commission did not accept were:

- (1) Public ownership of the railways. It found "no reason whatever to recommend either unification, amalgamation or public ownership of all railways in Canada."
- (2) A proposal by the Province of Alberta that rates on raw materials and finished products be so related as not to discourage processing near the raw material producing areas.
- (3) A proposal by the Canadian Manufacturers Association that the Railway Act be amended to authorize the Board to order payment of reparations by the railways to shippers for the charging of unreasonable rates on past shipments.
- (4) A proposal by the railways that rates for the carriage of mail and military personnel and equipment be made subject to the jurisdiction of the Board of Transport Commissioners.
- (5) A proposal by the City of Quebec that the export grain rates from Fort William to Quebec be held at their originally established level.
- (6) A proposal by the Maritimes Board of Trade that the Maritime-Montreal portion of the through rates between Maritime Territory and the rest of Canada be kept constant and not subject to general increases.
- (7) Proposals by the cities of Halifax and Quebec seeking the establishment of port advisory councils as recommended by the Gibb Report of 1932.
- (8) A proposal for the construction of the Chignecto Canal.
- (9) A proposal by British Columbia and Newfoundland interests that coastal and intercoastal water rates be subject to government regulation.

(10) A proposal by the Railway Transportation Brotherhood that railway side and head clearances be regulated by statute.

Among the proposals which the Commission referred to the Board of Transport Commissioners as being within the latter's competence:

- (1) Complaints regarding inadequate rail service from Newfoundland, Prince Edward Island and the Saguenay Region of Quebec.
- (2) Matters affecting local rates within Newfoundland.
- (3) Changes in the Freight Classification.

Proposals referred to other branches of the federal government included:

- (1) Matters affecting air transportation.
 - (2) The future of the Federal Government's feed-grain assistance policy.
 - (3) The repeal of the Railway Subsidies Act, which provides for the recovery of subsidies through reduced rates on government traffic.
 - (4) Various proposals of the Newfoundland Government regarding a military road, port and traffic facilities and steamship routes.
 - (5) Proposals regarding the services and facilities of the Wood Island-Caribou ferry service to Prince Edward Island.
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